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poor reflections have led to their first thoughts of this interesting subject.

We are not fully satisfied, we confess, with the usual manner in which *any* body of human beings has been treated, or with the improvement and happiness to which any community has attained. From the spirit of this age, and the advantages of this country combined, we are looking for better results, than have yet appeared. Mr Owen will not accomplish them for us, nor will any enthusiast, however much more generous and philanthropic, or less vain and shortsighted. No schemer nor empiric will bring forward the great destiny which is before us, but it will be slowly and gradually wrought out, by principles already in operation. It will be wrought out by the consenting inquiries, and purposes, and endeavors of the whole people; but the grand lever, which is to raise up the mighty mass of this community, is *education*. We forget not the power of a free press, so often denominated the palladium our liberties, we forget not our excellent form of government, we forget not the institutions of religion, but all these are to take their character from the intelligence of the people. The empire of these States must rise or fall with the mind. The *schools* hold, in embryo, the future communities of this land. The *schools* are the pillars of the republic. To these, let the strong arm of the government be stretched out. Over these, let the wisdom of our legislatures watch. Let not the needful scrutiny and support be withheld, lest their very foundations silently moulder away, and the fabric of empire sink in their ruins.

ART XI.—*Notes on Political Economy.* By J. N. CARDOZO. 1826. 8vo. pp. 125. Charleston.

THE short treatise, to which the above unassuming title is given, was written by a gentleman, who has evidently made himself familiar with the doctrines of what is called the new school of Political Economy. His object is to examine a few of those doctrines, show their consequences, and trace out the fallacy of the argument on which they are founded. For this reason, if for no other, it will be generally sought for by the true lovers of

the science. It is desirable, that some writer of talents should undertake the task, on a far more extended scale than Mr Cardozo has done; give us a brief outline of the peculiarities in the new school; contrast them, where it is possible, with those of the old; state succinctly the arguments urged on both sides of the question; and make such reflections on the growth of this branch of knowledge, as must naturally be suggested by the inquiry. Such an undertaking would demand a good deal of research, examination, thought; something more, in short, to be well executed, than a modest attempt at 'Notes.'

Mr Cardozo does not approach the most important questions; and with many of the conclusions at which he arrives, we cannot agree, although much interested in the discussion, by which he was led to them. In our own country, inquiries upon the various branches of political economy are of far more importance, than in many others, because every citizen here may be called upon to serve as a legislator; and to think of assuming the responsibility of that high station, without some examination of the basis on which it ought to rest, or some study of the principles, by which alone it can be made to act beneficially, or not injuriously, on the general interests of society, must be, to say the least, presumptuous. The knowledge of this science is, indeed, not commonly deemed of such utility; and, what is remarkable, it seldom forms any part of the popular or recommendatory qualifications of the candidate for high political office. For these reasons and others, there ought to be some arrangement for making it more universally a branch of common education; and the writer renders a good service, who calls public attention to any of the controversies connected with it, in a condensed form, like the one before us.

There are some doctrines among the late writers on the subject particularly, which, though they have been thoroughly refuted, and for that reason probably are passed unnoticed by Mr Cardozo, may have a tendency so injurious, that they cannot be too much pressed upon our examination, and shown to be utterly false. The possibility, that machinery may be too far improved; that the saving of labor may thus become excessive; that, in consequence of it, honest industry may be thrown out of employment, and condemned to suffer for the benefit of the rich capitalist, are among the number of them. And to teach principles, which involve these doctrines, as has been done by some very able writers, is to call science in aid of popular pre-

judice. Mr Cardozo does not think it necessary to reexamine them. His inquiries are, generally, into subjects more apart from common observation, and therefore less interesting, and probably less important, than those we have mentioned. They are subjects, however, which have called forth the attention of the most acute and intelligent writers.

One of the principal objects of the author's Notes (and, on reading the introduction to them, we thought it was to be almost their sole object) is to refute Ricardo's Theory of Rents, which Mr Cardozo thinks is full of errors, and must lead to very unreasonable or absurd results. We cannot entirely agree with the objections here raised against that distinguished writer, although he has certainly made some mistakes, in his chapter on this subject. He ascribes the rise of raw produce, and of rents, to the necessity of resorting to inferior soils, and the increased difficulty of production. 'When land of an inferior quality,' says Ricardo, 'is taken into cultivation, the exchangeable value of raw produce will rise, because more labor is required to produce it.' 'The reason why raw produce rises in comparative value, is because more labor is employed in the production of the best portion obtained.' 'When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately *commences* on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land.' There is a slight inaccuracy in in all these statements. Raw produce would rise, and rents would also rise, even if the less fertile lands were prevented in any way from being brought under cultivation. In fact, the cultivation of these less fertile lands will, in some measure, keep the price of rents and produce down, because they furnish a partial supply, and thus make the demand less intense, than otherwise it must become in consequence of the greater scarcity. Suppose a country of very limited extent, where the lands, though unequal, were all rich, and highly cultivated, and where none of an inferior quality could be brought forward. Suppose, that on the increase of population, produce should rise and become very high, so high, that the profits of capital invested in agriculture would be much greater, than of that invested in commerce, or manufacture, or other employments; it is evident, that these lands must pay rent, and the rent will be just so much, as to reduce the profits of capital invested in agriculture to a level with the profits of that invested in any other way. Raw produce first

rises in price. Then rents will rise, because the returns of capital invested in agriculture are greater, than if invested elsewhere, and the landlords will make the capitalists pay for this advantage. It is not till the third or last step, and as a consequence of the two former, that new and less fertile lands are cultivated, or that new capital is employed upon the old lands with a greater return of profits. Mr Ricardo, however, goes upon the idea, that rents will not rise till new lands are actually taken into cultivation, or till a further amount of capital has been actually employed upon the old lands, and with a greater return of profits. This is clearly a mistake.

Mr Ricardo, likewise, does not always point out clearly the true objects of his inquiry. In a treatise on this subject, three topics ought to be kept entirely separate; first, The nature of rent, or what it is; secondly, The origin of rent, or what first produced it; and, thirdly, The measure of rent, or the proper rule for estimating its just amount. Mr Ricardo must have seen these clearly enough; but he makes no such classification, and evidently confounds them throughout the whole of his inquiry. Will not this consideration help to explain away the following remarks of our author?

'The rent of land has been variously defined by Mr Ricardo in different parts of his work on the Principles of Political Economy and Taxation, It is defined, first, to be "that portion of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil." Rent, according to this definition, is made to depend on *natural* fertility. But the definition given of rent by Mr Malthus, to wit, that "excess of price above the costs of production at which raw produce sells in the market," is sanctioned by Mr Ricardo. This definition is, however, essentially different from the other, and confounds that rent, "which is paid for the use of the original and indestructible powers of the soil," with that paid in consequence of the advance in the price of raw produce from restrictions on the trade in corn, and the monopoly which in some countries is connected with the possession of land.

'The *origin* of rent is described in the following manner by Mr Ricardo. "It is then only because land is of different qualities, with respect to its productive powers, and because in the progress of population, land, of an inferior quality, or less advantageously situated, is called into cultivation, that rent is *ever* paid for the use of it." Rent is accounted for in this description from *relative* fertility.' pp. 19, 20.

But our author cannot escape from the general reasonings and conclusions of Ricardo, in this ingenious theory, although he makes a great effort to do it; and we are not surprised that he has failed, for results from it can be traced very different from those, which he seems to anticipate. The following is a brief outline of the theory. On the first settlement of a new country, where rich lands are in abundance, no rent is paid, because all may enjoy them freely, and without making compensation. But in a short period, the produce of these will not be sufficient to furnish the necessary supply. Population has increased; the food of the laborer, and produce generally, are in greater demand. They rise in price; new and less fertile lands must be taken into cultivation; thus rent is paid on the best, but not on those of the inferior quality, which are occupied; for by the supposition these are so plenty, that all may use them without remuneration. It cannot be long, however, before the produce of these also will be insufficient to meet the full demand. Lands of the third quality are called for; then again rents rise on the first, and are paid on the second, but not on the last, on account of their plenty; and so the process goes on continually, as long as the country continues to advance in wealth. Mr Ricardo briefly states his views on the subject thus.

'If all land had the same properties, if it were boundless in quantity, and uniform in quality, no charge could be made for its use, unless where it possessed peculiar advantages of situation. It is only then because land is of different qualities, with respect to its productive powers, and because in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it. When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land.'

Ricardo, pp. 38, 39.

The inferences to be drawn from reasoning on the above theory of Mr Ricardo are; that rents make no part of the price of produce, because the price is determined by the labor bestowed upon the lands last taken into cultivation, which, by the supposition, can afford no rent; and that, by the advance of rents, landlords, as he says, are doubly benefited; they are benefited in the amount, and in the exchangeable value of what they receive. Mr Cardozo says, this last idea is inconceivable.

We know not why. The supply must have increased; the demand must also have increased in a still greater proportion. From the first cause, therefore, the landlord will receive a larger share of the produce for his rent, and from the second cause, this produce will be of a greater price or value; that is, the same portion of it will be worth more in the market, than it was before.

'But we would ask,' says our author, 'what is to entitle the landlord to an increased share of the whole produce, if an increase of the whole has been effected by the skill and capital of the cultivators? If the landlord has furnished any of the capital by which this increase has been obtained, his share will be in proportion to his investment; if he gets a greater share, it will be a transfer of a portion of that to which the farmers are entitled from their capital and skill. As extended cultivation, therefore, if it has been effected by cultivators without any aid from landlords, is the result of their own improvements, the whole of the increased produce arising from this extension of cultivation, is their exclusive property. There can, therefore, of right, be no increase of rent from the increased quantity of produce.' pp. 21, 22.

Might the author not as well ask, what *right* has the heir to the property, which he inherits? A merchant or manufacturer chances to have a great stock of goods on hand, which suddenly rise in price; would it be fair to interrogate him about his being *entitled* to the increased value? We are driven back to the original institution of property to answer such questions as these. The landlord must have run some risk in the investment of his capital. Perhaps it will be a most unproductive one; many circumstances may occur, as we shall presently see, which will transfer the rise of rents into other hands, or make it so slow in his hands, that he could have placed his capital more profitably in any other employment. If he be successful, we surely ought not to ask him about his right and title to his good fortune.

All lands, which pay rent, have something more or less of the nature of monopoly. Different situations, different degrees of fertility, remoteness from the market, or nearness to it, these, and other circumstances, render it impossible for them to come into any competition with each other on equal terms. This fact is most remarkable in great commercial places, where the holders of convenient stands for business have greatly the advantage

over those in other situations, and they are obliged to pay for it in the form of rent. The same is true, likewise, though less obviously so, of cultivated lands remote or near, and of various degrees of fertility or improvement. The equalizing principle of rent, so clearly explained by Mr Ricardo, will place all capitalists and tenants, who are in the occupancy of spots thus more or less favorable, upon nearly the same level, and enable them to come into fair competition with each other in their employments, which otherwise would be impossible. We can easily thus ascertain what will be the true measure of rents. Those of the favorable stands for business, in a large and populous city, cannot be estimated with any exactness, because they must depend on the greater profits, which those places will throw into the hands of the tenants, who occupy them. But the fair rents of cultivated lands may be very clearly ascertained. The agriculturist must retain enough of the produce to pay himself for the wages, which he has employed or bestowed upon them, and enough likewise for a reasonable return of profit upon the capital invested by him; all the residue, whether it be more or less, ought to go to the landlord for rent, or the tenant will have an undue advantage over those in similar situations with himself, and perhaps, too, over capitalists generally. The rent of a particular piece of cultivated land, is, in short, the difference between the amount of its produce, and the amount of produce from an equal quantity of the poorest lands, which can however be profitably cultivated. These remarks will show, that rent can in no case be assimilated, as Mr Cardozo thinks, to the interest on a loan of capital. Lands rented are essentially different from capital let, because the former are always unequal, while the same amount of the latter must be always equal. It is not till after the payment of rent, that any similarity exists between them.

But Mr Cardozo thinks, if this celebrated theory be true, rents will so encroach on wages and profits, that the accumulation of capital will be stopped, and population receive a fatal check at no distant period of time. And certainly the exact mathematical calculation, in which Mr Ricardo expresses his ideas on this subject, will lead many readers to the same erroneous conclusion. Mathematics are as deceptive in moral reasonings, as probabilities are in mathematics. The shades of difference between different kinds of land are faint, almost imperceptible, and not to be marked by numbers. Fluxional quantities

might more justly illustrate them, than the arithmetical progression, which Mr Ricardo uses. Let it be understood, however, that he uses it merely as an illustration of his principle. At any rate, the rise on the rents of cultivated lands is exceedingly slow. Many circumstances will occur to retard or change it. The effects of science in improving the art of cultivating lands, the improvement in the tools and machinery of agriculture, and several other causes, not at all inconsistent with this theory, as our author seems to think they are, will tend to keep down the price of produce and of rents longer than this simple statement of Mr Ricardo would lead one to anticipate. A farm will pass through several hands without any sensible addition to its value. Even when new lands are necessarily taken into cultivation, though they seem of an inferior quality, the great expense is often in the first outlay, in clearing, reducing, and bringing them to a state of improvement suitable for being occupied, and then perhaps they may be among the most fertile and productive. A new market may be thrown open in the vicinity. A near manufactory may raise its value. Many other circumstances may also occur, which will create a full demand for its produce, and thus raise its rent, or depress the rent of those, which were formerly thought the richest and most profitable. There can be little danger, that the increase of rent, advancing according to the principles of Mr Ricardo's theory, rightly understood, ever can become in any degree excessive.

From these reflections may also be deduced an answer to another objection of our author, against this theory of rents, namely, that it makes agriculture, including the landlord's advantages, the most profitable of all employments. Nothing can be more erroneous than this idea. It goes upon the supposition, that by the theory the purchaser of land takes no risk in thus investing his capital, that his profits are rapid and sure, not liable to fluctuation, change, or successful competition from the cultivators of new soils; none of which inferences are fairly deducible from the reasoning of Mr Ricardo, if they be carefully examined. Every body has heard of most unprofitable agricultural speculations. But this will not weaken the general conclusions in the theory of rents, for the reasons before given. Capital naturally seeks the most advantageous employment. When, from the competition of rival adventurers, the profits of stock shall have become small and doubtful, in commerce, manufacture, and other departments of industry, we may expect more to arise

from agriculture than at present; and this will probably be the case at no very distant period. It is a very common mistake among writers on this subject to suppose, that the rise of produce is the first and sole cause of the fall of profits. These would fall, however, for a variety of reasons, although produce remained unchanged.

In our remarks thus far, we have spoken of the rise in the price of produce. It may be, however, only a fall in the price of every other article; which amounts to precisely the same thing. All rise is comparative. Commodities rise merely because they will command more. There may be, in consequence of improvements in agriculture, a much greater supply of produce even in proportion to the demand than formerly; but the supply of other commodities, with which that produce is exchanged, and which measure its value, may be in still greater proportion; it will therefore command a larger portion of those, and for this reason, and this reason alone, it seems to rise in price. Smith speaks of the stationary nature of corn rents. It is difficult to tell, however, whether they are in fact stationary. For the reasons we have given they may have risen or have fallen materially. If tried by the labor which they command, and which is the best measure of value through long periods of time, they cannot have varied much. But there is some uncertainty about this, because the condition of the laborer, his food, habits, conveniences, and expectations are subject to such essential changes.

We look upon the rise of rent, which our author seems so much to dread, as the decisive proof, that a country is advancing rapidly in opulence. Observe any great commercial place, where there is a press of business and a crowd of population, and where there are vast amounts of capital accumulated. These are the causes of the high price of rents there, and they will not begin to fall until profits fall, business ceases to be flourishing, and the accumulation of wealth is checked. The same is observable, for similar reasons, of lands in every situation. It is true that while the country is still advancing, rents may in some places be stationary and even fall, but it is on account of their greater rise in other portions of it. Mr Cardozo thinks, too, that they are made unnaturally high, by the laws which encumber the titles to real estates, and make the transfer of them difficult and unsafe. We do not agree with him on this point. These restrictions have an opposite tendency, and make the

price of rents in some cases improperly low, and more in danger of that extreme than of the other. If the law could free lands from embarrassing questions about title, and render the transfer of them as simple and easy, as the transfer of personal property, they would be likely to fall into the hands of those, who could most profitably use them, or turn them to the best account in the hands of others. The landlord never can find it for his interest to charge his tenant too much, because he will make the tenant's business unprofitable, and thus ultimately reduce his own rents. He ought not to charge the tenant too little, because this is giving him an unfair and useless advantage over others in similar situations. It is in the nice calculation of asking of the tenant just so much, and no more than he can profitably afford to pay, that the true secret of assessing rent lies. Now who can make this nice and just calculation most advantageously to themselves, great landlords, who are obliged to keep possession of their estates whether they like it or not, or those who purchase in order to vest their capital productively, and who study to employ it so as to receive the greatest possible returns from it? There would, it is true, be a less number of large farm rents in the country, than before the restrictions were taken off, but the sum of the smaller ones must amount to vastly more than those; and, besides, they would be more accurately looked after and carefully paid.

The inferences deducible from this theory of rents seem to us very important. One of them is, that rents affect neither the wages of labor nor the profits of stock, and enter not into prices. We do not think this appears very clearly in Mr Ricardo's chapter on the subject, though it evidently must follow from his reasonings; and it was the object of our remarks upon some of his inaccuracies, to make it more plain. Produce, we have seen, first rises in price. Then, and not till then, do rents rise. It is evident, therefore, that the former cannot be enhanced by the latter, since it must take place before rents can be changed or affected. But it is often believed that rents do in reality make the heaviest part of prices. Landlords are sometimes represented as growing rich, and living idly and luxuriously by means of taxes indirectly levied upon the wages of the laborer, or upon the capital, which honest industry or enterprise has accumulated. But if they were to give up to their tenants all their rents, it could have no effect in reducing the prices of produce, because it would neither increase the supply nor diminish

the demand. There would be the same quantity in the market, the same number of sellers, the same number of consumers. The only result of such an injudicious act of generosity on the part of landlords would be, to introduce the greatest inequality among capitalists, and into employments of all sorts, and thus lead to a state of confusion and disorder such as we cannot easily describe. It appears more clearly, too, by this theory, that, in the natural course of things, that class of people, who are the most uniformly interested in their country's welfare, are sure, without peculiar efforts of their own to advance in opulence, as their country advances in opulence, and nearly in the same proportion. The prosperity of the landholder is justly represented by Smith as always in unison with the general prosperity of society. It is difficult to conceive of any great public or private improvement, which will not directly or indirectly benefit him. His success depends entirely upon the success of every class of people around him; while their interests, though never at variance with his, are frequently at variance with each other, and not unfrequently so with those of a great majority of the community to which they belong. He holds, too, an indissoluble interest; but citizens in other situations, merchants, or capitalists, who find that profits have fallen, because competition has been widely extended, may transfer themselves and their property to other places, where they expect to reap greater advantage. It is not without a very good reason, that the old English law, which has come to us, looks with an eye of peculiar favor on freeholders and yeomen.

In these remarks on rents, we have observed no difference between those of cultivated or farm lands, and those of lands in places crowded with population; and writers on the subject generally seem to pass it by unnoticed. It was not necessary for us to point to this distinction. The character of monopoly belongs more plainly and strongly, though not more justly, to the latter than to the former. But the same principles belong to both, and the same general reasoning, which we have applied to the one, will, with a slight difference of phraseology, be found equally applicable to the other.

Mr Cardozo is much more successful in some other strictures on Ricardo, and exposes one error, in particular, which has been copied, and implicitly acquiesced in, by Mr Malthus, and which we are now surprised could have so long remained unnoticed. That ingenious writer, in his great work on the Princi-

ples of Political Economy and Taxation, employs a whole chapter in drawing distinctions between the riches and the values of a country, and seems to think that the former may be indefinitely changed, increased, or diminished, while the amount of the latter remains unaltered. This is clearly an error. The following passage from Mr Ricardo contains, in brief, the argument by which that position is maintained.

'If an improved piece of machinery should enable us to make two pair of stockings, instead of one, without additional labor, double the quantity would be given in exchange for a yard of cloth. If a similar improvement be made in the manufacture of cloth, stockings and cloth will exchange in the same proportions as before, but they will both have fallen in value; for in exchanging them for hats, for gold, or other commodities in general, twice the former quantity must be given. Extend the improvement to the production of gold, and every other commodity; and they will all regain their former proportions. *There will be double the quantity of commodities annually produced in the country, and therefore the wealth of the country will be doubled, but this wealth will not have increased in value.*' *Ricardo*, p. 288.

It is very easy to see through the fallacy of this reasoning. The exchangeable value of the article, the production of which is thus made more easy, must, it is certain, be diminished; that is, the same quantity of it will not command the same quantity of other articles in the market, that it had been used to do before. Perhaps we might go farther, and admit that the exchangeable value of the whole amount of the article, so cheapened in price, has been diminished, though this is hardly possible. Admit it, however, for the sake of the argument. In the mean time, while the exchangeable value of this cheapened article is thus diminished, the exchangeable value of every other article, when compared with it, must be in the same proportion increased. Observe the remark in the last period of our last extract. Our inference from it would be, that the sum total of the exchangeable values was doubled; the whole of every commodity will command just double the quantity of every other commodity that it formerly would. In these reasonings both Mr Ricardo and ourselves have reference merely to the internal exchanges, which may take place in the same country, and to the exclusion of those arising from foreign commerce. Our author supposes him to have been led into the above mistake, by confounding value with price. But this explanation will not do, because the *real* price of an article must be the same as its exchangeable value. And we

think it impossible that Mr Ricardo can have confounded it with the *nominal*, or money price, since in another part of his work he gives us his reasons very fully, for estimating the value of a commodity by the amount of labor necessary to be expended in its production. This, in fact, will serve as an explanation of the whole difficulty. The values he supposes to remain the same, because they have cost no more labor. It is an error of reasoning, and not merely of a use of words, with which we are obliged to charge Mr Ricardo.

The distinction between wealth, or riches, and value seems to us very simple; yet it has been the ground of much discussion, and led to many mistakes. Take, for example, the following remarks, which are intended for a definition of the term *wealth*, by Mr J. B. Say, the most popular, and perhaps the most able writer on political economy, since the time of Smith.

'If we take the pains to inquire, what that is, which mankind in a social state of existence denominate wealth, we shall find the term employed to designate an indefinite quantity of objects bearing inherent value, as of land, of metal, of coin, of grain, of stuffs, of commodities of every description. When they further extend its signification to landed securities, bills, notes of hand, and the like, it is evidently because they contain obligations to deliver things possessed of inherent value. In point of fact, wealth can only exist where there are things possessed of real and intrinsic value. *Wealth is proportionate to the quantum of that value; great, when the aggregate of component value is great; small, when that aggregate is small.*' *Say*, p. 1.

Even the most superficial reader will see this to be an error. The intrinsic value of some things, of water, for instance, may be very great, though they are seldom to be ranked among articles of wealth, and many, which are so ranked, and highly, have in them little intrinsic value. The wealth, too, contained in some commodities, may continually vary, either increase or diminish, while their intrinsic value remains unchanged. It appears to us, that under the term *wealth* we class together those objects only, which have exchangeable value, whether they are useful or not, and that their wealth is just in proportion to this exchangeable value, without reference to their utility or to any other inherent quality whatever. If exchangeable value be given to the most common things, they become articles of wealth; if it be subtracted from even the richest, they cease to be so esteemed. A remarkable proof of this occurs in the example just cited, of

water, which in some places, in cases of great scarcity, has had a high exchangeable value, and then the possession of large quantities of it may have been wealth, but it is never thought such in common cases, because from its plenty it has no exchangeable value. It is said, however, that we are not to apply the term to notes, paper money, securities, &c. And why not? The owner of a warehouse full of raw produce, or of a chest of massive gold, or of coffers of metallic money, will find them of little service to him beyond their exchangeable value; and if the holder of a bank note, or bill of exchange, finds it possessed of the same extensive power, we know not why he may not give it as high a title. Let it be observed, that we are now insisting on what we take to be the common use of language. Perhaps it might have been more judiciously appropriated at first. But we have no right to limit it to suit our own ideas on the subject; and we cannot doubt that it is commonly, and, indeed, universally used, as we have explained it.

We have room to touch slightly upon one other theme suggested by our author, in the discussion of which he seems to have fallen into a singular mistake.

He represents a paper currency in all its forms, and with every convenient limit and restriction, as one of the greatest causes of national decline, wherever it is established. '*We find that nations become more thriftless in proportion as they depart from the use of a medium of circulation possessed of intrinsic value.*' That the use of a paper currency has been grossly abused, perverted to the purposes of fraud, made the instrument of bankruptcy, ruin, and distress to thousands, and that it ought, therefore, to be put under more severe legislative restrictions, than it has hitherto been, we presume no one acquainted with the history of it will deny. But the idea of abolishing it entirely is new to us. We know not indeed how this could be effected, whatever might be the expediency of such a measure. If it were possible to suppose a country, where it had never been particularly needed, and where the channel of circulation had always been conveniently filled with gold and silver coins, the holders of large portions of these might still find, or think it profitable to send them abroad; and then the deficiency would be felt at once. A system of credits must be established or extended throughout the community. It will, however, be very imperfect at first, because the facility of transfer is not understood, or not reduced to practice; the creditor, who has some

doubt about the ability of his debtor to pay, cannot easily dispose of the risk, while those to whom he is indebted, may feel the same doubts of him, have the same difficulty of transfer, and be also in their turn exposed to the same troubles in their transactions with others.

It is in this imperfect state of credit, and in order to relieve the embarrassments arising from it, that banks, or something in the nature of banking institutions, are introduced. They assume the responsibility of the debtor; they relieve the creditor of his anxiety and doubt; they enable him to divide into small portions, and transfer some of his risk to those with whom he deals, and so the system is carried among every class of people, as far as commerce of any kind extends. It is all an ingenious piece of machinery for establishing, dividing, regulating, and transferring credits, as substitutes in the place of money; for the holder of a bank note is a mere creditor of the bank to that amount. Now it is difficult to tell at what point Mr Cardozo would stop the progress of the natural course of things we have described. Would he prohibit the exportation of specie? Would he check credit, or the transfer of credit, or the evidence of this transfer, by paper or scrip? Would he order that no class of people in the community, however respectable and wealthy, should assume, for honest purposes, the debtor's responsibility, or the creditor's risk, although all the interested parties were desirous of their doing it? Every one of these measures must be taken, before a paper currency can be effectually prevented. But we know not how a government can take either of them, without such a gross infraction of private right, or such an improper interference with the fair bargains of individuals, as no free people of intelligence will voluntarily submit to. It has been thought by some very able writers, that the minute subdivision of these credits, or the issue of small notes by banks, ought to be prevented. We have our doubts about this however. In our own country we have experienced none of the inconveniences, which have been ascribed to them by the foreign journals.

It is now universally allowed, that a paper currency cannot be safe, unless it be convertible, at the pleasure of the holder, into gold and silver, either in the shape of coin or of bullion. And with this qualification it may be looked upon as decidedly the most important modern invention in the accumulation of wealth. It renders exchanges incomparably more rapid and easy. The wheels of commerce are rid of a superfluous load. Tedious,

laborious processes in business are dispensed with. In short every step of the progress, from the first production of commodities to their ultimate distribution, is wonderfully facilitated; and if, according to the ingenious speculations of a late writer on the subject, the quantity, or amount of the circulating medium must be in an inverse proportion to the rapidity with which it moves, and effects exchanges, a far greater sum in coins will be necessary for the purpose than in paper money. This is a substitute, too, of the cheapest for the most expensive material. A large portion of the supply of the precious metals is rendered superfluous, and the wear, tear, waste, and unavoidable losses upon those in use are in a great measure saved. Were it necessary to fill up the circulating medium wholly with them, as our author, together with many others, seems to think, so much capital must be withdrawn from profitable employments, and suffered to remain unproductive, and upon the decline. To procure it at the first, and to keep it good continually, must be an immense tax, though an indirect one, upon the whole community; and its effects will be visible upon their wealth. Their real profits of stock will be less; their real wages of labor less, their real rents of land less; and such a people cannot bring their commodities to market on equal terms with those who are free from that unreasonable tax, and whose circulating medium is cheaper and better. In the natural course of things nations tend to throw off the incumbrance, and hitherto their governments generally have encouraged them in it. We believe they will still continue to do it, notwithstanding the popular clamor we often hear against paper money.

The great public evil, which writers on political economy have feared from banks, is the over issue of their notes, by which they say the value of money may be indefinitely reduced, and the value of all other commodities of course in the same proportion raised. But there is a natural limit to this not generally understood, which must check it at an early stage in its progress, if not entirely prevent it. That limit is the cost and the exchangeable value of the precious metals. A coin is worth no more than the bill, which promises to pay it, for by the supposition the one is convertible into the other at the pleasure of the holder. Whatever amount therefore of paper currency is pressed into circulation, as long as this convertibility remains, the value of it will be regulated by the labor and expense necessary for procuring gold and silver from the mines, and passing them

through the mint. It can never continue for any length of time materially below this. If there should be such an excessive quantity of it issued as to raise the price of all other commodities, bullion, as a commodity, would rise also, the coins be melted down in order to form it, drafts made upon the bank to procure them for that purpose, and thus the over issue will be immediately checked, and the amount of the currency lessened both by the return to the bank of its notes in exchange for specie, and by an absolute diminution in the number of coins. The consequence will be, that prices will everywhere be brought down to their proper level. It has been lately said, that Adam Smith had wrong or confused ideas on currency; that the channel of the circulating medium can nowhere overflow nor be perfectly full; that it will easily receive and dispose of any amount of money, which may be thrown into it, however valuable it may be; and that the only effect of a great sudden increase or diminution of it, is to diminish or increase in just the same proportion the prices of all other articles in the country. And in support of this, it is urged, that, on the discovery of the mines in America, the different nations of Europe absorbed into their circulation a much larger portion of gold and silver than had been found sufficient for their purposes before.

These statements may lead to very erroneous conclusions. The amount in the *quantity* of the circulating medium we allow may be almost indefinitely enlarged, and all easily appropriated and used. But the amount in its whole *value* must remain nearly the same, and can be increased only with the growing wealth of the country. Its traffic and exchanges will absorb only a certain amount of value. It was the depreciation of this, we believe, which, on the discovery of the American mines, made a larger portion of gold and silver necessary for European commerce. It was merely a greater *quantity* of these, and not a greater amount of wealth, which was poured into the channels of circulation. If these remarks be true, an unnecessary number of bank notes of undiminished value cannot be kept abroad to serve the purposes of money. But while they are exchangeable for coins, their value never will be diminished. We have no great or lasting evil to apprehend, therefore, from an over issue of such notes, nor from the injurious effects on prices which it is said to produce.

If there are more notes issued from the banks than the exchanges of the country require, and thus the value of money is

lowered, and that of other things raised, yet not enough to lead to the melting of the coins, the evil will be remedied in other ways. A portion of the gold and silver will go abroad, and seek in foreign parts that profitable employment, which it cannot find at home. This will have a direct effect in lessening the sum in circulation, and an indirect effect also in doing it by limiting the issues of the banks. The high price of goods at home, too, may lead to the importation of goods that are cheaper, and the competition arising from these, together with the exportation of specie for various reasons, will all tend to bring about the same results; namely, to raise again the value of money, reduce that of commodities in general, and keep the circulating medium on its proper level. It is true, that banks have been often disposed thus to over issue; but, as Smith says, they are always much the greatest, if not the only sufferers by it, because they are obliged to have on hand a far greater amount of capital in proportion, and the returns of their notes to them in demand for specie, will be so rapid, that they are called upon at short intervals to replenish, in order to keep it constantly good. This is not the evil, however, in the administration of banking establishments, from which the public have to fear much, or long. It is one of a very different character. It is deception; artful mismanagement; sometimes deliberate fraud; discounts for personal favor; loaning notes on bad or insufficient security, and without enough metallic currency or bullion or capital of any sort to pay them off or redeem them when they are presented.

It is from these, and similar causes, and not from the indiscreet, unprofitable over issue of paper, that the great distresses and embarrassments connected with monied institutions have principally arisen. How they are effectually to be prevented, we are not prepared to say. In equable times, when business is regular and uniform, a large number of separate, independent banks have a great power in correcting it. It is the interest of each to check the others' issues; they, therefore, watch each other, often try each other; and their competition will have a powerful effect in regulating each other's transactions, and in making them all equal and fair. But business is not always regular and uniform; and the danger can never thus be entirely removed. It deserves consideration, whether some greater personal responsibility ought not to be thrown by law upon the managers or directors of these institutions.

In our remarks we have constantly observed a distinction between fraudulent issues, and fair over issues, of bank notes. They

are commonly spoken of together; but it is important that they should be kept separate, because the former alone require the control of government, and the latter, we have shown to be comparatively a slight evil, which will speedily bring about its own remedy.

We have not stated Mr Cardozo's arguments against a paper currency; and we approach them reluctantly, because they seem to us unworthy of him, and can do no credit to his work. He says, that on the first substitution of paper for the coins, that class of laborers and manufacturers, who were engaged in producing the commodities, formerly to be sent abroad in exchange for bullion, are immense sufferers; and that if, in consequence of rapidly increasing business, a country should suddenly want more coins to effect its exchanges than it has, it will soon be supplied with them from those other countries, which must 'necessarily' have been at the same time and in the same proportion retarded. This is to us very unsatisfactory reasoning. How? Is it the doctrine here, that the gain of one nation is necessarily the loss of some other? And that a whole people is to be heavily taxed in order to procure an article which it does not want, and support a class of men, who would otherwise be elsewhere more profitably employed, both to themselves and to all around them? For, as we have seen, the expense of the rich currency is a levy on the wealth of every one. The profits of every employment must be lessened by it, and those, who are engaged in procuring the articles, which are to be sent out for the importation of the precious metals, must be, in their proportion, sufferers with the rest. The above arguments, cannot be the deliberate sentiments of our author. If he has not formally disavowed them in other parts of his book, he has advanced principles, which are at variance and inconsistent with them.

On the whole, our readers will easily gather, from what we have said, our opinion of Mr Cardozo's pamphlet. It is generally interesting to us. It contains some very ingenious reasonings, particularly in the last chapter, on taxes. The errors of the author seem to be those of precipitancy, and want of care; and this remark applies as well to his faults of style, as to the opinions he advances. It is sometimes difficult to ascertain, in the beginning of a chapter, what he intends to do; and we are not quite sure, that we have found it all out, when we arrive at the end. But with all these faults, we have no hesitancy in recommending the book to those, who are fond of such inquiries, and who are willing to see the critics of Smith, and of the lovers of Smith in their turn also, severely criticised.